

ORIGINAL

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Mailing Online Service

Docket No. MC98-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS GARVEY TO INTERROGATORIES OF
MAIL ADVERTISING SERVICE ASSOCIATION
(MASA/USPS-T1-12-15)

The United States Postal Service hereby provides the response of witness
Garvey to the following interrogatories of Mail Advertising Service Association:
MASA/USPS-T1-12-15, filed on August 18, 1998.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Kenneth N. Hollies
Kenneth N Hollies

475 L'Enfant Plaza West, S.W.
(202) 268-3083; Fax: -5402
Washington, D.C. 20260-1137
September 8, 1998



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-12.

- a. Referring to your Response to POIR-1-2, do any of the three categories of service providers you refer to
 - (i) batch the files of different customers before presenting hard copy mailing pieces to the Postal Service;
 - (ii) enter a customer's nationwide mailing at a Postal facility in close geographical proximity to the addressee?
- b. Explain how a private business could replicate the batching and distributed entry features of MOL at a cost that is competitive with that proposed to be charged by the Postal Service for MOL. If you are aware of any private business that currently has or is developing such a capability, identify it and explain the basis for your understanding.

RESPONSE:

- a.
 - (i) Although I am not specifically aware of any of the service providers batching electronic files of different customers prior to submission to the Postal Service, to my knowledge there are no barriers to them doing so.
 - (ii) To my knowledge, at least two of the service providers who are outsourcers for high end work electronically route and enter nationwide mailings at postal facilities chosen for their proximity to the addresses mailed. I would also tend to expect that many providers of distributed print-on-demand services may also perform similar routing on a smaller scale.
- b. I'm not sure that I understand the question. If the premise is that the Postal Service has some form of natural advantage in batching mailpieces for distributed entry, then it would only be appropriate that customers be

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
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ASSOCIATION INTERNATIONAL

allowed to take advantage of such features rather than be compelled to use higher cost service. Nevertheless, I'm not sure that this cost environment exists.

Certainly, the technical capability to perform the batching and distributed entry process is not unique to Mailing Online; several foreign posts currently offer such services as do certain foreign-based commercial organizations. I know of no particular barriers to entry that would preclude a private firm from launching a similar service and the rebuttal testimony of witness Brand on behalf of Pitney Bowes certainly confirms that firm's belief that it could offer such a service. The Mail 2000 company recently announced its intent to capture up to 10 percent of the current U.S. transactional mail volume using a model that appears to share some functional design characteristics with Mailing Online, but is aimed at very high volume mailers. To my knowledge, however, no commercial organization is doing what Mailing Online proposes to do for small mailers. In any event, the Postal Service's strategic decision is that it is in the public interest to create this service option in light of the increasingly convenience-oriented and electronically focused world.

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MASA/USPS-T1-13. Referring to your response to OCA/USPS-4(e), have the costs associated with the Postal Service's efforts to "monitor and ensure the quality performance in all aspects of Mailing Online service" been estimated as part of the Postal Service's filings in support of the Request. If so, identify the testimony and/or exhibit(s) that contain such costs. If not, explain fully why not and provide your best estimate of such costs.

RESPONSE:

Quality monitoring will occur in all incidental and deliberate market research contacts with customers and via help desk activities. These are PostOffice Online activities. Specific performance monitoring of print site activity will be performed by the Mailing Online program office. These costs are not included, consistent, it is my understanding, with usual practice. I am unable to isolate these costs in order to estimate them.

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MASA/USPS-T1-14. You have indicated that there are 75 possible categories of batches for each page count combination of pieces using MOL (see OCA/USPS-T5-17(a)[sic!]). Referring to your response to MASA/USPS-T5-10(b) (redirected from witness Plunkett), where you state that "large volumes of locally destinating mail will flow through the MOL system and allow high densities and levels of sort beyond those required for the requested basic automation rate,"

- a. Will all 75 batch categories be capable of being entered at a Postal facility by the contract printer in one mailing? If not, explain how many of the different batch categories could be presented in one mailing, and estimate the percentage of MOL mail volume that will be attributable to each grouping.

RESPONSE:

- a. No. During the market test, each batch will be entered as an individual mailing accompanied by a mailing statement, PS Form 3600 or 3602. At this time I have no way to estimate the percentages represented by different batches accurately. See also my response to Presiding Officer questions, filed August 28, 1998.

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MASA/USPS-T1-15. Referring to your response to POIR-1-1, confirm that if experience demonstrated that MOL pieces are in sufficient volume and density to qualify for a lower rate than the Basic Automation rate proposed in the Request, the Postal Service would be likely to request a decision from the PRC recommending that MOL users be charged a lower postage rate.

RESPONSE:

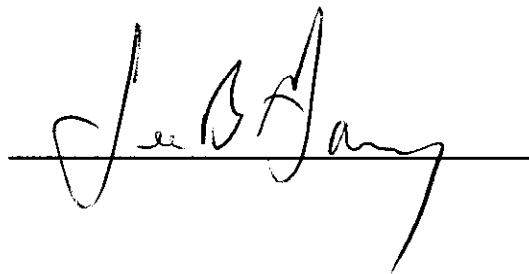
Not confirmed. The Postal Service has already made its request for market test and experimental Mailing Online service that specifies particular rate categories.

The Commission may also have its own opinion on this issue. No decisions have been made regarding any permanent request for Mailing Online. However, the purpose of Mailing Online is to provide convenient entry to under-served small volume customers, not to replicate a traditional lettershop.

Accordingly, my response should certainly not be understood to imply that the Postal Service intends to request the deepest possible discounts for Mailing Online volume. Consideration of which rate categories are best should be guided by information gleaned from the market test and experiment, and the Postal Service's wish to avoid direct competition with lettershops. See also witness Plunkett's response to MASA/USPS-T5-12(b).

DECLARATION

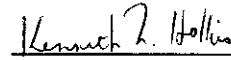
I, Lee Garvey, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Lee Garvey", is written over a horizontal line.

Dated: 9/8/98

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Kenneth N Hollies

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